

QUARTERLY REPORT

LICENSEE: GREATER BAY HOTEL AND CASINO, INC.

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
BALANCE SHEETS

AS OF SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 26,439	\$ 26,037
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$12,185; 2000, \$10,366).....	11,536	8,427
4	Inventories.....	2,605	2,590
5	Prepaid Expenses and Other Current Assets.....	4,333	10,903
6	Total Current Assets.....	44,913	47,957
7	Investments, Advances, and Receivables.....	8,952	9,286
8	Property and Equipment - Gross..... Note 6.....	175,629	153,502
9	Less: Accumulated Depreciation and Amortization..... Note 6.....	(10,216)	-
10	Property and Equipment - Net.....	165,413	153,502
11	Other Assets.....	1,712	2,290
12	Total Assets.....	\$ 220,990	\$ 213,035
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 7,419	\$ 6,026
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other..... Note 2.....	19	483
17	Income Taxes Payable and Accrued..... Note 3.....	590	-
18	Other Accrued Expenses.....	18,772	15,057
19	Other Current Liabilities.....	5,599	4,195
20	Total Current Liabilities.....	32,399	25,761
	Long-Term Debt:		
21	Due to Affiliates..... Note 2.....	110,000	110,000
22	Other..... Note 2.....	357	375
23	Deferred Credits.....	-	7,197
24	Other Liabilities.....	3,939	4,343
25	Commitments and Contingencies.....		
26	Total Liabilities.....	146,695	147,676
27	Stockholders', Partners', Or Proprietor's Equity.....	74,295	65,359
28	Total Liabilities and Equity.....	\$ 220,990	\$ 213,035

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino.....	\$ 180,832	\$ 177,731
2	Rooms.....	8,903	7,173
3	Food and Beverage.....	22,525	21,122
4	Other.....	3,644	3,549
5	Total Revenue.....	215,904	209,575
6	Less: Promotional Allowances.....	20,198	18,368
7	Net Revenue.....	195,706	191,207
	Costs and Expenses:		
8	Cost of Goods and Services.....	114,256	107,404
9	Selling, General, and Administrative.....	61,053	59,351
10	Provision for Doubtful Accounts.....	2,624	1,637
11	Total Costs and Expenses.....	177,933	168,392
12	Gross Operating Profit.....	17,773	22,815
13	Depreciation and Amortization.....	7,696	8,561
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	10,077	14,254
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	(9,075)	-
18	Interest (Expense) - External.....	(298)	(366)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(956)	(853)
20	Nonoperating Income (Expense) - Net.....	479	508
21	Total Other Income (Expenses).....	(9,850)	(711)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	227	13,543
23	Provision (Credit) for Income Taxes..... Note 3.....	590	-
24	Income (Loss) Before Extraordinary Items.....	(363)	13,543
	Extraordinary Items (Net of Income Taxes -		
25	2001, \$____; 2000, \$____) Reorganization Costs.....	-	11,988
26	Net Income (Loss).....	(363)	25,531

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

Amended

11/16/01

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino.....	\$ 65,667	\$ 63,810
2	Rooms.....	3,303	2,582
3	Food and Beverage.....	7,960	7,855
4	Other.....	1,338	1,385
5	Total Revenue.....	78,268	75,632
6	Less: Promotional Allowances.....	7,345	6,820
7	Net Revenue.....	70,923	68,812
	Costs And Expenses:		
8	Cost of Goods and Services.....	39,561	38,770
9	Selling, General, and Administrative.....	20,267	20,795
10	Provision for Doubtful Accounts.....	1,046	735
11	Total Costs and Expenses.....	60,874	60,300
12	Gross Operating Profit.....	10,049	8,512
13	Depreciation and Amortization.....	2,454	2,964
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	7,595	5,548
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	(3,025)	-
18	Interest (Expense) - External.....	(110)	(179)
19	Investment Alternative Tax and Related Income (Expense) - Net... ..	(382)	(392)
20	Nonoperating Income (Expense) - Net.....	119	170
21	Total Other Income (Expenses).....	(3,398)	(401)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	4,197	5,147
23	Provision (Credit) for Income Taxes.....	1,703	(2,235)
24	Income (Loss) Before Extraordinary Items.....	2,494	7,382
25	Extraordinary Items (Net of Income Taxes - 2001, \$ _____; 2000, \$ _____) Reorganization Costs.....	-	14,314
26	Net Income (Loss).....	\$ 2,494	\$ 21,696

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 1999.....	100	\$ 3,500		\$	24,508	\$	(67,602)	(39,594)
2	Net Income (Loss) - Pre-reorganization....							25,531	25,531
3	Contribution to Paid-in-Capital.....					500			500
4	Dividends.....								
5	Prior Period Adjustments.....								
6	Reorganization and Fresh								
7	Start Adjustments	(100)	(3,500)			40,851		42,071	79,422
8	Issuance of New Common Stock	100	-						-
9	Net income (loss) - Post-reorganization							(7,500)	(7,500)
10	Balance, December 31, 2000.....	100	-			65,859		(7,500)	58,359
11	Net Income (Loss) - 2001.....							(363)	(363)
12	Contribution to Paid-in - Capital.....					16,300			16,300
13	Dividends.....								
14	Prior Period Adjustments.....							(1)	(1)
15	_____								
16	_____								
17	_____								
18	_____								
19	Balance, September 30, 2001.....	100	\$ -		\$	82,159	\$	(7,864)	74,295

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2000
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2001**

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

LINE (a)	DESCRIPTION	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)		Total Equity (Deficit) (f)
				(e)	
1	Balance, December 31, _____	\$	\$	\$	\$
2	Net Income (Loss) - _____				
3	Capital Contributions.....				
4	Capital Withdrawals.....				
5	Partnership Distributions.....				
6	Prior Period Adjustments.....				
7	_____				
8	_____				
9	_____				
10	Balance, December 31, _____				
11	Net Income (Loss) - _____				
12	Capital Contributions.....				
13	Capital Withdrawals.....				
14	Partnership Distributions.....				
15	Prior Period Adjustments.....				
16	_____				
17	_____				
18	_____				
19	Balance, _____, _____	\$	\$	\$	\$

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 9,193	\$ 15,938
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(14,463)	(14,422)
5	Proceeds from Disposition of Property and Equipment	17	13
6	Purchase of Casino Reinvestment Obligations.....	(2,019)	(1,684)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
	Proceeds from Disposal of Investments and Collection		
8	of Advances and Long-Term Receivables.....	114	-
9	Cash Outflows to Acquire Business Entities (net of cash acquired).	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(16,351)	(16,093)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(462)	(64)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	16,300	5,360
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	15,838	5,296
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	8,680	5,141
25	Cash And Cash Equivalents At Beginning Of Period.....	17,758	20,896
26	Cash And Cash Equivalents At End Of Period.....	\$ 26,438	\$ 26,037

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 6,096	\$ 61
28	Income Taxes.....	\$ -	\$ 937

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (363)	\$ 25,531
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment....	7,510	8,409
31	Amortization of Other Assets.....	186	152
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(17)	10
36	(Gain) Loss on Casino Reinvestment Obligations.....	956	853
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(370)	1,453
39	Net (Increase) Decrease in Inventories.....	246	849
40	Net (Increase) Decrease in Other Current Asset.....	(287)	(1,443)
41	Net (Increase) Decrease in Other Assets.....	(12)	29
42	Net Increase (Decrease) in Accounts Payable.....	(2,401)	1,152
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	3,584	177
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	161	(6,439)
45	Write Off Reorganization Related Costs.....	-	(14,795)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 9,193	\$ 15,938

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 14,463	\$ 14,422
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 14,463	\$ 14,422
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
53	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$ -
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ 0	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of	Dollar	Number of	Dollar
		Recipients (c)	Amount (d)	Recipients (e)	Amount (f)
1	Rooms	219,190	\$ 5,484		\$
2	Food	583,487	9,202		
3	Beverage	2,719,525	4,366		
4	Travel			4,259	2,016
5	Bus Program Cash			599,890	9,200
6	Other Cash Complimentaries			215,473	20,030
7	Entertainment	25,807	582		
8	Retail & Non-Cash Gifts			568,522	4,021
9	Parking			298,804	448
10	Other	70,515	564	116	357
11	Total	3,618,524	\$ 20,198	1,687,064	\$ 36,072

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of	Dollar	Number of	Dollar
		Recipients (c)	Amount (d)	Recipients (e)	Amount (f)
1	Rooms	96,635	\$ 2,104		\$
2	Food	208,964	3,283		
3	Beverage	933,852	1,432		
4	Travel			1,438	606
5	Bus Program Cash			203,041	2,745
6	Other Cash Complimentaries			67,971	7,193
7	Entertainment	15,371	326		
8	Retail & Non-Cash Gifts			186,039	1,472
9	Parking			79,927	120
10	Other	25,072	200	52	138
11	Total	1,279,894	\$ 7,345	538,468	\$ 12,274

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Organization, Business and Basis of Presentation

Greate Bay Hotel and Casino, Inc. ("GBHC") is a New Jersey corporation and wholly owned subsidiary of GB Holdings, Inc. ("Holdings"), a Delaware corporation. Holdings was a wholly owned subsidiary of Pratt Casino Corporation ("PCC") through December 31, 1998. PCC, a Delaware corporation, was incorporated in September 1993 and was wholly owned by PPI Corporation ("PPI"), a New Jersey corporation and a wholly owned subsidiary of Greate Bay Casino Corporation ("GBCC"). Effective after December 31, 1998, PCC transferred 21% of the stock ownership in Holdings to PBV, Inc. ("PBV"), a newly formed entity controlled by certain stockholders of GBCC. As a result of a certain confirmed plan of reorganization of PCC and others in October 1999, the remaining 79% stock interest of PCC in Holdings was transferred to Greate Bay Holdings, LLC ("GBLLC"), whose sole member as a result of the same reorganization was PPI. In February 1994, Holdings acquired GBHC through a capital contribution by its then parent. GBHC's principal business activity is its ownership of the Sands Hotel and Casino located in Atlantic City, New Jersey (the "Sands"). GB Property Funding Corp. ("GB Property Funding"), a Delaware corporation and a wholly owned subsidiary of Holdings, was incorporated in September 1993 as a special purpose subsidiary of Holdings for the purpose of borrowing funds for the benefit of GBHC. Effective September 2, 1998, GBHC acquired the membership interests in Lieber Check Cashing LLC ("Lieber"), a New Jersey limited liability company that owned a land parcel adjacent to GBHC.

On January 5, 1998, GBHC, Holdings and GB Property Funding (collectively, the "Debtors") filed petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). On August 14, 2000, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Modified Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code Proposed by the Official Committee of Unsecured Creditors and High River Limited Partnership and its Affiliates (the "Plan") for the Debtors. High River Limited Partnership ("High River") is an entity controlled by Carl C. Icahn. On September 13, 2000, the New Jersey Casino Control Commission (the "Commission") approved the Plan. On September 29, 2000, the Plan became effective (the "Effective Date"). All material conditions precedent to the Plan becoming effective were satisfied on or before September 29, 2000. Accordingly, the accompanying consolidated financial statements have been prepared in accordance with Statement of Position No. 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"). In addition, as a result of the Confirmation Order and the occurrence of the Effective Date, and in accordance with SOP 90-7, GBHC has adopted "fresh start reporting" in the preparation of the accompanying consolidated financial statements. The emergence of GBHC from Chapter 11 resulted in a new reporting entity with no retained earnings or accumulated deficit as of September 30, 2000. As a result, the consolidated financial statements for the periods subsequent to September 30, 2000 reflect the new basis of accounting. The accompanying consolidated financial statements include the accounts and operations of GBHC and Lieber. All significant intercompany balances and transactions have been eliminated.

A significant amount of the Sands' revenues are derived from patrons living in northern New Jersey, southeastern Pennsylvania and metropolitan New York City. Competition in the Atlantic City gaming market is intense and management believes that this competition will continue or intensify in the future.

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

New York State passed legislation that was signed by the Governor in October 2001 to allow slot machines at racetracks and six (6) Indian owned casinos within the State of New York. The legislation also allows the State to join the multi state Powerball lottery. The gaming portion of the legislation may face legal challenge including a challenge based on the New York State Constitution. Therefore, it is not possible to determine the timing or financial impact of this legislation on Atlantic City at this time.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On the Effective Date, GB Property Funding's existing debt securities, consisting of its 10 7/8% Notes due January 15, 2004 (the "Old Notes") and all of Holdings' issued and outstanding shares of common stock owned by PBV and GBLLC (the "Old Common Stock") were cancelled. As of the Effective Date, an aggregate of 10,000,000 shares of new common stock of Holdings (the "New Common Stock"), and \$110,000,000 of 11% First Mortgage Notes due 2005 (the "New Notes") were issued by GB Property Funding. Holders of the Old Notes received a distribution of their pro rata shares of (i) the New Notes and (ii) 5,375,000 shares of the New Common Stock (the "Stock Distribution"). In addition, \$65,000,000 in cash was obtained from affiliates of the majority shareholder.

Pursuant to SOP 90-7, "fresh start reporting" has been reflected as of September 30, 2000 in the accompanying consolidated financial statements because: (i) the sum of the allowed claims, plus postpetition liabilities, exceeded the reorganization value of the preconfirmation assets of the emerging entity and (ii) Holdings experienced a change of control (as defined in SOP 90-7). SOP 90-7 requires under these circumstances the creation of a new reporting entity and the recordation of assets and liabilities at their fair values. In support of the restructuring process, the Debtors retained an independent third party to determine, among other things, the value of the equity of Holdings. This independent third party set the value of the equity between a range of \$11 and \$14 per share. The Bankruptcy Court, considering the testimony of that third party and others offered at the confirmation hearing on the Plan, accepted this range and used the mid-point of \$12.50 per share for the purpose of determining the value of the unsecured portion of the claim of the holders of the Old Notes. For these reasons, Holdings has set the value of the post confirmation assets of the reorganized entity based upon that value of the equity and the New Notes and by the post petition liabilities assumed. The resulting difference between the equity, New Notes and post petition liability assumed and the liabilities subject to compromise and equity eliminated has been allocated to long term assets based upon a pro rata determination of their fair values, as required by SOP 90-7.

Certain reclassifications have been made to prior year's consolidated financial statements to conform to the 2001 consolidated financial statement presentations.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(2) Long-Term Debt

Long-term debt is comprised of the following:

	September 30,	
	2001	2000
11% notes, due 2005 (a)	\$ 110,000,000	\$ 110,000,000
Lieber Mortgage (b)	-	466,000
Other	376,000	392,000
	<hr/>	<hr/>
Total indebtedness	110,376,000	110,858,000
Less - current maturities	(19,000)	(483,000)
	<hr/>	<hr/>
Total long-term debt	<u>\$ 110,357,000</u>	<u>\$ 110,375,000</u>

- (a) As result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, the Old Notes were cancelled and replaced with \$110,000,000 of 11% notes due 2005 (the "Notes"). Interest on the Notes is payable on March 29 and September 29, beginning March 29, 2001. The outstanding principal is due on September 29, 2005. The Notes are unconditionally guaranteed, on a joint and several basis, by both Holdings and GBHC, and are secured by substantially all of the assets, as of the Effective Date, other than cash and gaming receivables of Holdings and GBHC.

The indenture for the Notes contained various provisions, which, among other things, restrict the ability of GBHC to incur certain senior secured indebtedness beyond certain limitations, and contains certain other limitations on the ability to merge, consolidate, or sell substantially all of their assets, to make certain restricted payments, to incur certain additional senior liens, and to enter into certain sale-leaseback transactions.

In a Consent Solicitation Statement and Consent Form dated September 14, 2001, GB Property Funding sought the consent of holders of the Notes to make certain changes to the original indenture (the "Modifications"). The Modifications included, but were not limited to, a deletion of, or changes to, certain provisions the result of which would be (i) to permit Holdings and its subsidiaries to incur any additional indebtedness without restriction, to issue preferred stock without restriction, to make distributions in respect of preferred stock and to prepay indebtedness without restriction, to incur liens without restriction and to enter into sale-leaseback transactions without restriction, (ii) to add additional exclusions to the definition of "asset sales" to exclude from the restrictions on "asset sales" sale-leaseback transactions, conveyances or contributions to any entity in which Holdings or its subsidiaries has or obtains equity or debt interests, and

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

transactions (including the granting of liens) made in accordance with another provision of the Modifications relating to collateral release and subordination or any documents entered into in connection with an "approved project" (a new definition included as part of the Modifications which includes, if approved by the Board of Directors of Holdings, incurrence of indebtedness or the transfer of assets to any person if Holdings or any of its subsidiaries has or obtain debt or equity interests in the transferee or any similar, related or associated event, transaction or activity) in which a release or subordination of collateral has occurred including, without limitation, any sale or other disposition resulting from any default or foreclosure, (iii) to exclude from the operation of covenants related to certain losses to collateral any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (iv) to permit the sale or other conveyances of Casino Reinvestment Development Authority investments in accordance with the terms of a permitted security interest whether or not such sale was made at fair value, (v) to exclude from the operation of covenants related to the deposit into a collateral account of certain proceeds of "asset sales" or losses to collateral any assets and any proceeds thereof, which have been subject to the release or subordination provisions of the Modifications, (vi) to add new provisions authorizing the release or subordination of the collateral securing the Notes in connection with, in anticipation of, as a result of, or in relation to, an "approved project", and (vii) various provisions conforming the text of the original indenture to the intent of the preceding summary of the Modifications.

Holders representing approximately 98% in principal amount of the Notes provided consents to the Modifications. Under the terms of the original indenture, the consent of holders representing a majority in principal amount of Notes was a necessary condition to the Modifications. Accordingly, GB Property Funding, as issuer, and Holdings and GBHC, as guarantors, and Wells Fargo Bank Minnesota, National Association, as Trustee, entered into an Amended and Restated Indenture dated as of October 12, 2001, containing the Modifications to the original indenture described in the Consent Solicitation Statement (the "Amended and Restated Indenture"). In accordance with the terms of the Consent Solicitation Statement, holders of Notes, who consented to the Modifications and who did not revoke their consents ("Consenting Noteholders"), were entitled to \$17.50 per \$1,000 in principal amount of Notes, subject to certain conditions including entry into the Amended and Restated Indenture. Upon entry into the Amended and Restated Indenture on October 12, 2001, GBHC transferred approximately \$1.9 million to the Trustee for distribution to Consenting Noteholders.

- (b) On September 2, 1998, GBHC acquired the membership interests in Lieber, which owned a certain parcel of land on Pacific Avenue in Atlantic City until transferring it to GBHC in September 2000. Principal mortgage indebtedness at the time of acquisition was \$591,000 and bears interest at the rate of 7% per annum. Principal and interest were paid monthly based on a ten-year amortization schedule. The balance of the note was paid in July 2001, in accordance with the mortgage agreement.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Scheduled payments of long-term debt as of September 30, 2001, are set forth below:

2001 (three months)	\$ 5,000
2002	19,000
2003	21,000
2004	23,000
2005	110,026,000
Thereafter	282,000
Total	<u>\$ 110,376,000</u>

Interest paid amounted to \$6,096,000 and \$57,000, respectively, for the nine months ended September 30, 2001 and 2000. At September 30, 2001 accrued interest on the Notes of \$6,050,000 is included in Other Accrued Expenses.

(3) Income Taxes

The components of the provision (credit) for income taxes are as follows:

	<u>Nine Months Ended September 30,</u>	
	<u>2001</u>	<u>2000</u>
Federal income tax provision (credit):		
Current	\$ 590,000	\$ -
Deferred	-	-
State income tax provision (credit):		
Current	-	-
Deferred	-	-
	<u>\$ 590,000</u>	<u>\$ -</u>

Prior to 1997, GBHC was included in the consolidated federal income tax return of Hollywood Casino Corporation ("HCC"). GBHC's operations were included in GBCC's consolidated federal income tax returns for the years ended December 31, 1998 and 1997 but GBCC agreed to allow GBHC to become deconsolidated from the GBCC group effective after December 31, 1998. In accordance therewith, PCC transferred 21% of the stock ownership in Holdings to PBV, effecting the deconsolidation of GBHC from the GBCC group for federal income tax purposes (the "Deconsolidation"). Beginning in 1999, GBHC's provision for federal income taxes is calculated and paid on a consolidated basis with GB Property Funding and Holdings.

The Internal Revenue Service is examining the consolidated federal income tax returns of HCC for the years 1995 and 1996 and the consolidated federal income tax returns for GBCC for the years 1997 and 1998 in which GBHC was included (the "Audit"). As a result of such Audit, GBCC management has

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

disclosed in its quarterly SEC Form 10-Q, filed for the quarterly period ended June 30, 2001, that it is presently unable to estimate the impact of the Audit on the consolidated financial position or results of operations of GBCC. GBHC is dependent upon receipt of information from HCC and GBCC as to the operations of their affiliates and the impact of those operations on the former HCC and GBCC consolidated groups' Federal net operating losses ("Federal NOL's").

Federal and State income tax benefits or provisions are based upon the results of operations for the current period and the estimated adjustments, for income tax purposes, of certain nondeductible expenses. The Federal income tax provision of approximately \$590,000 for the nine months ended September 30, 2001 is a result of applying the statutory Federal income tax rate of 35% to the pretax income after adjustments for income tax purposes.

At September 30, 2001, GBHC has deferred tax assets including State net operating losses and Federal credit carryforwards. The State net operating losses ("State NOL's") begin to expire in the year 2003 for state tax purposes. A portion of the Federal credit carryforwards, if not utilized, will expire each year through 2019. In addition, as part of a certain settlement agreement, GBCC may utilize Federal NOL's of GBHC through December 31, 1998 to offset Federal taxable income of GBCC and other members of its consolidated tax group. GBHC has utilized the balance of its Federal NOL's in its amended 1999 and 2000 consolidated Federal tax return. Statement of Financial Accounting Standards No. 109 ("SFAS 109") requires that the tax benefit of NOL's and deferred tax assets resulting from temporary differences be recorded as an asset and, to the extent that management can not assess that the utilization of all or a portion of such NOL's and deferred tax assets is more likely than not, requires the recording of a valuation allowance. Due to various uncertainties, management is unable to determine that realization of GBHC's deferred tax asset is more likely than not and, thus, has provided a valuation allowance for the entire portion at September 30, 2001.

As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, GBHC's outstanding debt as of the Effective Date was discharged. Pursuant to the Internal Revenue Code, debt that is cancelled or discharged under the Bankruptcy Code does not generate taxable income in the current period to the debtor. Instead, certain tax attributes otherwise available to the debtor are reduced. This attribute reduction is effective for tax purposes beginning January 1, 2001 and reduces GBHC's tax attributes by approximately \$14.9 million. To effect the tax attribute reduction, GBHC has reduced the tax basis in its long term depreciable assets held as of January 1, 2001. GBHC had a change of ownership as defined under Internal Revenue Code Section 382 upon the Effective Date. Management currently estimates there will be no significant limitations on the ability of GBHC to use its tax attributes, if any, on a post confirmation basis as a result of this change of ownership.

(4) Transactions with Related Parties

GBHC's rights to the trade name "Sands" (the "Trade Name") were derived from a license agreement between GBCC and an unaffiliated third party. Amounts payable by the Sands for these rights were equal to the amounts paid to the unaffiliated third party. As a result of the Confirmation Order and the occurrence of the Effective Date and under the terms of the Plan, GBHC was assigned by High River the rights under a certain agreement with the owner of the Trade Name to use the Trade Name as of the

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Unaudited)

Effective Date. High River received no payments for its assignment of these rights. Payment is made directly to the owner of the Trade Name. The calculation of the license fee is the same as under the previous agreement. Such charges amounted to \$232,000 and \$214,000, respectively, for the nine months ended September 30, 2001 and 2000.

(5) Legal Proceedings

GBHC has filed tax appeals with the New Jersey Tax Court challenging the amount of its real property assessment for calendar years 1996 through 2001, inclusive. The City of Atlantic City has also appealed the amount of the assessments for the same years.

GBHC has recently discovered certain failures relating to currency transaction reporting and self-reported the situation to the applicable regulatory agencies. GBHC is conducting an internal examination of the matter and the New Jersey Division of Gaming Enforcement is conducting a separate review. GBHC has revised internal control processes to address the situation. GBHC may be subjected to regulatory remedies, which may include cash penalties. However, the potential cash penalties cannot be estimated at this time.

GBHC is a party in various legal proceedings with respect to the conduct of casino and hotel operations including claims of discriminatory harassment. Although a possible range of losses cannot be estimated, in the opinion of management, based upon the advice of counsel, GBHC does not expect settlement or resolution of these proceedings to have a material adverse impact upon the consolidated financial position or results of operations of GBHC, but the outcome of litigation is subject to uncertainties. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainties described above.

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

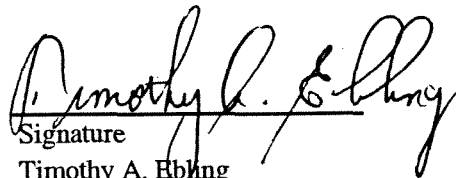
(6) Property and Equipment

Property and equipment consisted of the following:

	September 30,	
	2001	2000
Land	\$ 54,814,000	\$ 54,654,000
Buildings and improvements	86,690,000	79,539,000
Operating equipment	21,701,000	16,057,000
Construction in progress	12,424,000	3,252,000
	175,629,000	153,502,000
Less: accumulated depreciation and amortization	(10,216,000)	-
Net property and equipment	<u>\$ 165,413,000</u>	<u>\$ 153,502,000</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Timothy A. Rbling
Executive Vice President,
Chief Financial Officer

Title

003052-11

License Number

On Behalf Of:

Greate Bay Hotel And Casino, Inc.
Casino Licensee